

**Plaintiff Lazare Kaplan International Inc.'s  
Revised Deposition Designations for  
Philippe Loral 9/28/2015**

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

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**Pg: 7 Ln: 8 - 12**

**Annotation:**

7: 8 Q. Okay. Good morning, Mr. Loral.  
9 My name is Chris Sullivan. I'm with  
10 the law firm of Herrick Feinstein, and  
11 we represent the Plaintiff in this  
12 case, Lazare Kaplan International.

**Pg: 10 Ln: 4 - 21**

**Annotation:**

10: 4 Q. For convenience sake, I'm going  
5 to use some abbreviations in the course  
6 of today's deposition.  
7 I'm going refer to Lazare Kaplan  
8 International, Inc. as Lazare; to  
9 Antwerp Diamond Bank as ADB; to the New  
10 York office of Antwerp Diamond Bank, as  
11 ADB New York or New York office; to KBC  
12 Bank, NV, as KBC. Do you understand all  
13 of that?  
14 A. Yes.  
15 Q. Okay. And unless I specify  
16 otherwise or you specify otherwise, the  
17 relevant period of time for the  
18 questions I'm going to ask you is  
19 January 1, 2000 through December 31,  
20 2010. Do you understand that?  
21 A. Yes.

**Pg: 12 Ln: 16 - 22**

**Annotation:**

12:16 Q. And were you previously employed  
17 by ADB?  
18 A. Yes.  
19 Q. Were you employed by ADB during  
20 the relevant period of time from  
21 January 1, 2000 to December 31, 2010?  
22 A. Yes.

**Pg: 19 Ln: 14 - Pg: 21 Ln: 16**

**Annotation:**

19:14 Let's talk about ADB. What was  
15 your position or job title at ADB  
16 during the relevant period of time?  
17 A. I was Senior Vice President and  
18 I was head of International Division,  
19 then it changed to head of the American  
20 Business that we did and then later --

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9/28/2015

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---

**Pg: 19 Ln: 14 - Pg: 21 Ln: 16 continued...**

**Annotation:**

19:21 I think, the relevant period goes still  
22 2010?  
23 Q. December 31, 2010.  
24 A. I think maybe just at that time  
25 I changed I became Global Relation  
20: 1 Manager. I don't remember exactly. It  
2 could be beginning of 2011, but it  
3 should be around the time.  
4 Q. And what were your  
5 responsibilities in those various  
6 positions that you held?  
7 A. Well, in the first and second  
8 position, in fact, my job was to create  
9 business outside of Belgium, in diamond  
10 business. Our bank was that  
11 specialized in diamond business doing  
12 only financing of diamonds, companies  
13 but in Antwerp we were saturated so the  
14 idea was to go to other diamond centers  
15 and first started with New York and I  
16 did the same in Hong Kong and I helped  
17 to open a branch in Bombay, etcetera.  
18 In the next stage, when the  
19 branches and the rep offices became  
20 bigger, I was concentrated to New York.  
21 So then I was responsible for New York,  
22 and then much later when I was Global  
23 Region Manager I was responsible for  
24 the multinational relations with the  
25 clients. We had, let's see, about 20  
21: 1 large clients with offices in every  
2 diamond center in the world and I was  
3 managing the relations with those  
4 clients.  
5 Q. Do I understand correctly that  
6 you helped set up the New York office  
7 of ADB?  
8 A. Yes.  
9 Q. And when was that office first  
10 set up?  
11 A. My first trip to New York was in  
12 December, '97 for that purpose, and we  
13 obtained a license only in December,  
14 '99, which permitted us -- I mean, you  
15 know, that we had a license of  
16 representative office.

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---

**Pg: 23 Ln: 21 - 23**

**Annotation:**

23:21 Q. So is it fair to say you were in  
22 charge of the New York office?  
23 A. Yes.

**Pg: 25 Ln: 14 - 24**

**Annotation:**

25:14 Q. So were you familiar with the  
15 clients in the New York office?  
16 A. Yes.  
17 Q. And did you have access to the  
18 -- to the bank's records of the banking  
19 activities of those clients?  
20 A. Yes.  
21 Q. Were you aware of the  
22 transactions that were executed in New  
23 York for those clients or customers?  
24 A. Yes.

**Pg: 26 Ln: 5 - Pg: 27 Ln: 1**

**Annotation:**

26: 5 Q. And what were your  
6 responsibilities with respect to the  
7 Lazare credit facility?  
8 A. Let's say that I consider him as  
9 a larger client, so I was directly  
10 involved.  
11 Q. When you say "him" you mean  
12 Lazare?  
13 A. Yes. Lazare, yes, yes. Of  
14 course the group, yes.  
15 Q. And in the course of your duties  
16 did you communicate with anyone at  
17 Lazare?  
18 A. Yes.  
19 Q. With whom did you communicate?  
20 A. Mostly with Moryto, the CFO, but  
21 I met on a regular basis Leon  
22 Templesman and sometime for special  
23 projects also other people.  
24 Q. And did you ever visit Lazar's  
25 offices in Manhattan?  
27: 1 A. Very often.

**Pg: 28 Ln: 11 - Pg: 29 Ln: 3**

**Annotation:**

28:11 Did anyone at KBC ever accompany

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**Issue Filter:** Revised Deposition Designations

---

**Pg: 28 Ln: 11 - Pg: 29 Ln: 3 continued...**

**Annotation:**

28:12 you on visits to Lazar's office?  
13 A. Yes. As far as I can remember,  
14 Greg Boston, because he was the  
15 Operation Manager, he knew the special  
16 projects and so on. Maaike  
17 Maeckelbergh was directly responsible  
18 for opening the accounts and managing  
19 the accounts at KBC. I think I  
20 introduced once to Mr. Pipko, but I  
21 forgot his name, somebody who could do  
22 business directly with them because  
23 they had to -- a kind of -- they had a  
24 certain project I think with Russia  
25 that they could -- that ADB would not  
29: 1 do but KBC could be interested, so I  
2 introduced but I forgot the name. We  
3 can find it back.

**Pg: 47 Ln: 24 - Pg: 49 Ln: 11**

**Annotation:**

47:24 Q. Did you consider any particular  
25 credits or loans to be part of the ADB  
48: 1 New York portfolio?  
2 A. Yes. Yes. But the New York -- in  
3 fact, ADB Antwerp Head Office was given  
4 credit in Antwerp, in New York, and in  
5 Hong Kong because New York and Hong  
6 Kong were Head Offices, so that was  
7 offshore lending.  
8 In Head Office Antwerp what we  
9 did, we had in our bookkeeping,  
10 business centers that we called  
11 branches to measure the profitability  
12 of New York of Hong Kong because the  
13 expenses were different, etcetera. So  
14 in that way, in the New York branch,  
15 like we called it in Antwerp, we had  
16 all the facilities of New York, the  
17 profits, the expenses also and we could  
18 measure the value of that branch.  
19 Q. So approximately how large was  
20 the New York office's loan portfolio?  
21 A. It fluctuated a lot. It was not  
22 big. It was -- it fluctuated a lot, it  
23 was not very large and we had a lot of  
24 competition.  
25 It was growing fastly to around  
49: 1 \$200 million credit facilities, with a

## TextMap Annotation Digest Report

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---

**Pg: 47 Ln: 24 - Pg: 49 Ln: 11 continued...**

**Annotation:**

49: 2 debit of maybe 130, 140. We had a  
3 peek, that I remember of around 270,  
4 withdrawals 270 to 280. And then it  
5 went down get and we became went  
6 straight and we got competition.  
7 So I would not say that it was  
8 really a success, taking into account  
9 expenses.  
10 Q. And within that loan portfolio  
11 what were the largest loans in size?

**Pg: 49 Ln: 17 - 21**

**Annotation:**

49:17 A. I think the largest was 42, 43  
18 million.  
19 Q. And did you personally manage or  
20 oversee those loans?  
21 A. Yes. Yes.

**Pg: 58 Ln: 14 - Pg: 61 Ln: 12**

**Annotation:**

58:14 Q. Did ADB have a Board of  
15 Directors?  
16 A. Yes.  
17 Q. More than one board?  
18 A. No.  
19 Q. Did it have a Management Board?  
20 A. Yes.  
21 Q. Is it the same thing as the  
22 Board of Directors?  
23 A. The Management Board, I would  
24 say, is the Executive Committee, the  
25 three people from the Executive  
59: 1 Committee. The Management Or Board  
2 was, in fact, the Board of  
3 Shareholders. We had only one  
4 shareholder and in that Management  
5 Board the CEO of the bank was also part  
6 of, and the two members of the  
7 Executive Committee.  
8 Q. And did representatives of KBC  
9 sit on the Board of Directors and/or  
10 the Executive Committee?  
11 A. On the Board of Directors.  
12 Q. Okay. How many representatives  
13 of KBC sat on the Board of Directors?  
14 A. Honestly, I don't know exactly,

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**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 58 Ln: 14 - Pg: 61 Ln: 12 continued...**

### Annotation:

59:15 but I believe five.  
16 Q. Did representatives of KBC sit  
17 on the Credit Committee of ADB?  
18 A. It's a bit more complex. KBC  
19 took over our bank in 2000 or '99. So  
20 there is a difference between before  
21 and after. So I don't know exactly if  
22 this matches with the relevant period.  
23 So if your question is when KBC  
24 was a full shareholder it'S different  
25 than when KBC was only a 37%  
60: 1 shareholder.  
2 Q. When you say it's different, are  
3 you referring to whether  
4 representatives of KBC sat or how many  
5 sat on the committee?  
6 A. It was a different structure.  
7 Q. Okay.  
8 A. So before we had the Credit  
9 Committee inside in the bank and a  
10 representative of each shareholder  
11 would come to that committee every  
12 week. That way we had four  
13 shareholders. The three banking  
14 shareholders would send somebody.  
15 When KBC became the full  
16 shareholder of Antwerp Diamond Bank a  
17 part of the mining company remained,  
18 but they never had a representative.  
19 Then it came practically to the same --  
20 we would have a Credit Committee in our  
21 bank without KBC people, and then for  
22 certain amounts we would send the file  
23 to KBC -- for certain amounts we had a  
24 level of authority inside the bank and  
25 above that the authority was at KBC  
61: 1 Bank.  
2 So that means that above a  
3 certain amount, I don't recall exactly,  
4 but it's in the level of \$20 million,  
5 the Executive Committee would only be  
6 able to give an advice, not a decision.  
7 The file would go to KBC Bank and they  
8 would take a decision.  
9 Q. Does that mean that a credit  
10 line above that limit had to be  
11 approved by KBC?  
12 A. Yes.

## TextMap Annotation Digest Report

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9/28/2015

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**Issue Filter:** Revised Deposition Designations

---

**Pg: 63 Ln: 3 - Pg: 64 Ln: 7**

**Annotation:**

63: 3 Q. Do you know whether it was  
4 possible to even hold a meeting of the  
5 Board or Executive Committee without  
6 representatives of KBC in attendance,  
7 whether it was possible to have a  
8 quorum?  
9 A. No. It was impossible.  
10 Q. Sorry?  
11 A. That was impossible.  
12 Q. That was impossible?  
13 A. KBC was the main shareholder.  
14 Q. Are you familiar with the IKB  
15 counterparty delegations of KBC?  
16 A. Yes. That is what I explained to  
17 you just five minutes ago. There were  
18 levels of facilities at Antwerp Diamond  
19 Bank could decide and levels that ADB  
20 could only advise and KBC would decide.  
21 Q. And that --  
22 A. And that's -- that's the policy  
23 of KBC Bank for all the share -- all  
24 the companies of the group of KBC.  
25 Q. And that policy is set forth in  
64: 1 the IKB counterparty delegations, is  
2 that your testimony?  
3 A. Yes.  
4 Q. And was the Lazare credit  
5 facility subject to the counterparty  
6 delegations of KBC?  
7 A. Yes.

**Pg: 64 Ln: 8 - Pg: 65 Ln: 7**

**Annotation:**

64: 8 Q. Let's talk about the credit  
9 facility that Lazare had with ADB. Do  
10 you recall when that credit facility  
11 was first issued to Lazare?  
12 A. That must have been in '99 or  
13 2000.  
14 Q. Whose idea was it, if you know,  
15 for Lazare to open a credit facility  
16 with ADB?  
17 A. Either mine or Moryto's.  
18 Q. Do you recall proposing to Bill  
19 Moryto that Lazare set up a credit  
20 facility with ADB?  
21 A. It may be. I don't know if the  
22 idea came from me or from the client



## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 64 Ln: 8 - Pg: 65 Ln: 7 continued...**

**Annotation:**

64:23 because clients were interested to have  
24 credit facilities and we had already a  
25 relation through Lazare Kaplan Belgium  
65: 1 in Head Office, so we knew each other.  
2 So -- and that was the way for New York  
3 to grow with existing clients and  
4 referral of existing clients.  
5 So we met and I tried to  
6 convince the client or the client tried  
7 to convince me but it came to the same.

**Pg: 68 Ln: 7 - Pg: 70 Ln: 19**

**Annotation:**

68: 7 Q. Do you know whether Lazare took  
8 any steps in, in and after December,  
9 2000 to open a bank account at the New  
10 York branch of KBC?  
11 A. Yes.  
12 Q. What steps did Lazare take to  
13 open a bank account at KBC New York?  
14 A. Well, we asked Lazare to -- if  
15 he was interested and when the client  
16 was interested we brought the whole set  
17 of documents together with the people  
18 of KBC, we introduced the people of KBC  
19 to Lazare and we had the clients sign  
20 the opening of the account and all the  
21 relating documents. I don't know about  
22 which documents but it's typical for  
23 every bank, you know, the constitution  
24 and act and all that type of stuff to  
25 get an account.  
69: 1 Q. And would you turn to Exhibit 1  
2 in the binder in front of you and tell  
3 me whether you can identify the  
4 documents that comprise Exhibit 1?  
5 (Plaintiff's Exhibit 1, was  
6 received and marked on this date for  
7 identification.)  
8 A. What was your question about  
9 this?  
10 Q. Do you recognize these  
11 documents? Can you identify them?  
12 A. I know this is -- specifically  
13 this document I don't remember if I saw  
14 it at that time, but I know that this  
15 is -- this is the typical KBC account  
16 opening documents.

## TextMap Annotation Digest Report

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9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 68 Ln: 7 - Pg: 70 Ln: 19 continued...**

**Annotation:**

69:17 Q. And is the account number on the  
18 first page, in the upper right-hand  
19 corner, the account number assigned by  
20 KBC to Lazar's bank account at KBC New  
21 York?  
22 A. I assume, but -- yeah. It's  
23 mentioned like that, but I don't know  
24 the number by heart, to be honest.  
25 Q. Did anyone at ADB help KBC  
70: 1 assemble these documents and obtain  
2 signed originals from Lazare?  
3 A. Yes.  
4 Q. Who did so?  
5 A. Probably Peter Driesen.  
6 Q. Did you ask him to do so?  
7 A. I don't know if I asked him but  
8 I probably had organized it that he  
9 would do it at a certain time, yes.  
10 Q. And turning to the third page,  
11 marked with the number 410 in the lower  
12 right-hand corner, you see the  
13 reference in line 6 to "Publicly held  
14 company American Stock Exchange?"  
15 A. Yes.  
16 Q. Was Lazare the first New  
17 York-based public company that ADB had  
18 a banking relationship with through its  
19 New York office?

**Pg: 71 Ln: 6 - Pg: 73 Ln: 15**

**Annotation:**

71: 6 Q. And flipping forward four pages  
7 to page 414, you see Mr. Driesen's  
8 stamp and a signature beneath it?  
9 A. Yes.  
10 Q. And the handwritten note "Copies  
11 of originals", did Mr. Driesen provide  
12 copies of Mr. Moryto's passport to KBC?  
13 A. I can only see what I read here,  
14 so...  
15 Q. And turning to the page marked  
16 419, four pages from the end, do you  
17 see the document entitled "Request for  
18 taxpayer identification number"?  
19 A. Yes.  
20 Q. And the date alongside the  
21 signature, "December 20, 2000"?  
22 A. Yes.

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 71 Ln: 6 - Pg: 73 Ln: 15 continued...**

**Annotation:**

71:23 Q. Was Lazare in the process of  
24 providing bank documents to KBC in  
25 December of 2000 in connection with the  
72: 1 opening of a bank account at the New  
2 York branch of KBC?  
3 A. I don't remember.  
4 Q. Does this document indicate to  
5 you that Lazare was in the process of  
6 assembling and providing documents to  
7 KBC?  
8 A. Yes.  
9 Q. And turning to the very last  
10 page of the exhibit entitled  
11 "Telecommunications instructions", does  
12 ADB use a similar form when it opens  
13 bank accounts for customers?  
14 A. That I don't remember. Now, this  
15 is the document -- I remember this one  
16 but I don't remember if we used one,  
17 something like this.  
18 Q. And do you know whether ADB ever  
19 asked Lazare to sign a similar  
20 document?  
21 A. No. I don't remember. I don't  
22 even know if we are obliged to do so in  
23 Belgium.  
24 Q. Do you know what kind of bank  
25 account these documents contemplate?  
73: 1 A. Well, this is just a current  
2 account at KBC Bank New York, which was  
3 set up as a zero balance account.  
4 Q. As a --  
5 A. -- zero bank balance.  
6 Q. Is there anything in this  
7 documents that alludes to a zero  
8 balance account?  
9 A. No. It's mentioned in the  
10 Service Letter Agreement and the  
11 additional explanation about it.  
12 Q. So these documents set up an  
13 ordinary bank account?  
14 A. Yes. For the customer it's an  
15 ordinary, a normal bank account.

**Pg: 72 Ln: 24 - Pg: 73 Ln: 15**

**Annotation:**

72:24 Q. Do you know what kind of bank  
25 account these documents contemplate?

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 72 Ln: 24 - Pg: 73 Ln: 15 continued...**

**Annotation:**

73: 1           A.     Well, this is just a current  
2           account at KBC Bank New York, which was  
3           set up as a zero balance account.  
4           Q.     As a --  
5           A.     -- zero bank balance.  
6           Q.     Is there anything in this  
7           documents that alludes to a zero  
8           balance account?  
9           A.     No. It's mentioned in the  
10          Service Letter Agreement and the  
11          additional explanation about it.  
12          Q.     So these documents set up an  
13          ordinary bank account?  
14          A.     Yes. For the customer it's an  
15          ordinary, a normal bank account.

**Pg: 77 Ln: 9 - Pg: 79 Ln: 3**

**Annotation:**

77: 9           Q.     Were you aware on or about March  
10          29, 2001 that KBC had forwarded amended  
11          original account agreements to Lazare  
12          for signature?  
13          A.     No.  
14          Q.     To your knowledge, was Lazare in  
15          the process of opening a bank account  
16          at KBC New York at this period of time?  
17          A.     Yes. Yes.  
18          Q.     And flipping to the next  
19          exhibit, number 5.  
20                 (Plaintiff's Exhibit 5, was  
21          received and marked on this date for  
22          identification.)  
23          Q.     Do you recognize this document?  
24          A.     I saw this document now  
25          recently, in my preparation, but of  
78: 1          course, I didn't remember that I've  
2          seen that in 2001. Also, I was never  
3          involved in this type of paperwork, to  
4          be honest.  
5                 First of all, this was between  
6          KBC and the client. Peter Driesen or  
7          another colleague would intervene. When  
8          I would come to New York I would not  
9          involve myself in these type of  
10          documents.  
11          Q.     But does this document indicate  
12          to you that KBC New York was in the  
13          process of assembling the information

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 77 Ln: 9 - Pg: 79 Ln: 3 continued...**

**Annotation:**

78:14 needed to open a bank account for  
15 Lazare at KBC New York?  
16 A. Yes.  
17 Q. And Ms. Maeckelbergh was asking  
18 for ADB's help in assembling that  
19 information?  
20 A. Yes.  
21 Q. And do you know whether Mr.  
22 Driesen responded to the memo?  
23 A. Yes.  
24 Q. And did he assist  
25 Ms. Maeckelbergh in assembling the  
79: 1 documents needed to open Lazar's bank  
2 account at KBC New York?  
3 A. Yes.

**Pg: 85 Ln: 10 - 16**

**Annotation:**

85:10 Q. Would you turn to the next tab,  
11 8, marked as Plaintiff's Exhibit 8?  
12 (Plaintiff's Exhibit 8, was  
13 received and marked on this date for  
14 identification.)  
15 Q. Can you identify this document?  
16 A. No.

**Pg: 85 Ln: 24 - Pg: 86 Ln: 11**

**Annotation:**

85:24 Q. Do you see at the top of the  
25 page below the date November 13, 2001  
86: 1 the words "Kindly note that ICM has  
2 made a new account operational."  
3 Do you understand this document  
4 to refer to the account of Lazare  
5 Kaplan, Lazare at the New York branch  
6 of KBC?  
7 A. Yes.  
8 Q. And you see the reference that  
9 reads "The company has a credit  
10 facility with ADB?"  
11 A. Yes.

**Pg: 86 Ln: 21 - Pg: 87 Ln: 11**

**Annotation:**

86:21 Q. And the next sentence "Payments  
22 to accounts at ADB are done by book

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 86 Ln: 21 - Pg: 87 Ln: 11 continued...**

**Annotation:**

86:23 transfers to ADB's account number  
24 11743901."  
25 Whose payments do you understand  
87: 1 this sentence to be referring to? Which  
2 payments?  
3 A. That, I don't know, but -- I  
4 don't know to which account that  
5 refers. It may be the pooling account,  
6 but I don't know.  
7 Q. You think the account number  
8 11743901 may be, but you're not sure  
9 the pooling account of ADB at the New  
10 York branch of KBC?  
11 A. Yes.

**Pg: 91 Ln: 18 - Pg: 92 Ln: 24**

**Annotation:**

91:18 Q. Did KBC and ADB ever agree  
19 between themselves that Lazar's bank  
20 account at KBC New York would be used  
21 to make payments or disbursements under  
22 the Lazare credit facility?  
23 A. The whole setup, I was part of  
24 the Service Letter Agreement. So the  
25 fact that KBC would open an account for  
92: 1 the client was with the purpose to use  
2 this account to -- to draw on the  
3 credit facility of Antwerp Diamond Bank  
4 through operating the account. That was  
5 the whole purpose of the setup. KBC  
6 would never open an account for a  
7 diamond company that was not working  
8 with Antwerp Diamond Bank and even that  
9 would not have a credit facility. They  
10 didn't want -- they didn't want -- we  
11 did it only once or twice in France and  
12 in fact, it was -- we didn't need to do  
13 it.  
14 Q. Is there an agreement, other  
15 than the Services Agreement, that  
16 permits the activity in the New York  
17 account of KBC -- sorry -- the KBC New  
18 York Lazare account to be transferred  
19 to the ADB pooling account?  
20 A. I think there was only one  
21 Service Letter Agreement about these  
22 type of transactions, which we amended  
23 maybe once, which we -- but there is

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 91 Ln: 18 - Pg: 92 Ln: 24** continued...

**Annotation:**

92:24           only one agreement, I think.

**Pg: 99 Ln: 9 - Pg: 101 Ln: 3**

**Annotation:**

99: 9           Q.     And did Lazare use its KBC bank  
10           account as its main banking relation in  
11           the United States?  
12           A.     That I don't remember, but it  
13           was an important account, I think.  
14           Q.     Well, would you look at the  
15           second paragraph of your e-mail, and in  
16           particular, the words at the end of the  
17           first sentence "Client uses KBC NY as  
18           main banking relation in the U.S."?  
19           A.     Okay. Then that's right. Yes.  
20           Q.     If you said it, it's correct?  
21           A.     Yes -- no. I don't remember now  
22           but at that time.  
23           Q.     So was KBC New York Lazare's  
24           primary bank, banker in the United  
25           States?  
100: 1          A.     It was an operating account. The  
2           bank -- depends how you see the primary  
3           account. I think for a client a credit  
4           line is very important.  
5                 So in that way, maybe other  
6           banks were more important than KBC. But  
7           the added value of KBC was that KBC  
8           Bank is a clearing bank. ABN AMRO was  
9           not, for instance. So ABM AMRO had to  
10          clear checks for Lazare bank through  
11          Chicago using a value date. And KBC  
12          could give value same day without  
13          losing anything that. So that was a  
14          very strong argument towards the  
15          clients.  
16          Q.     Well, do you have any idea of  
17          the total amount of payments and  
18          repayments that pass through Lazare's  
19          bank account at KBC New York?  
20          A.     No. No. I don't remember.  
21          Q.     Was it in the millions, the tens  
22          of millions, or the hundreds of  
23          millions of dollars over the 10-year  
24          period?  
25          A.     Over the 10-year period? Rather  
101: 1          hundred.  
2                 Q.     Hundreds of millions of dollars?

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 99 Ln: 9 - Pg: 101 Ln: 3 continued...**

**Annotation:**

101: 3           A.       Yes.

**Pg: 102 Ln: 14 - Pg: 103 Ln: 7**

**Annotation:**

102:14       Q.       Let's go back to the credit  
15       facility for a moment. Were the terms  
16       of the credit facility negotiated with  
17       Lazare?  
18       A.       Yes.  
19       Q.       Who at ADB was involved in those  
20       negotiations?  
21       A.       In negotiation, probably mainly  
22       me, myself.  
23       Q.       And with whom did you negotiate  
24       at Lazare?  
25       A.       Almost all the time with Bill  
103: 1       Moryto.  
2       Q.       And where did those negotiations  
3       take place?  
4       A.       Mostly New York, sometimes in  
5       Antwerp, he came also to visit Antwerp,  
6       so -- by phone, by phone also, we often  
7       had phone conversations.

**Pg: 108 Ln: 9 - 15**

**Annotation:**

108: 9       Q.       So you don't, yourself, use the  
10       term working capital loan to  
11       describe --  
12       A.       In Belgium that is not the word  
13       we use. Maybe translated in Dutch it  
14       means different, but it comes to the  
15       same. It comes to the same.

**Pg: 108 Ln: 20 - Pg: 110 Ln: 3**

**Annotation:**

108:20       Q.       So would you look at tab 18 for  
21       a moment and tell me whether you can  
22       identify that document?  
23       (Plaintiff's Exhibit 18, was  
24       received and marked on this date for  
25       identification.)  
109: 1       Q.       Did you send this e-mail to  
2       whomever you sent it to --  
3       A.       Yes.  
4       Q.       -- on or about December 17,



## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 108 Ln: 20 - Pg: 110 Ln: 3 continued...**

**Annotation:**

109: 5           2008?  
6           A.     That's right. Yes.  
7           Q.     And directing your attention to  
8           the second paragraph, second sentence,  
9           that reads "As with the facilities that  
10          LKI enjoys with ABN AMRO \$35 million  
11          and Bank Leume \$10 million, the ADB NY  
12          facility is unsecured and LKI uses its  
13          facilities in New York for working  
14          capital purposes throughout its global  
15          consolidated operation."  
16          Do you see the sentence I just  
17          read to you?  
18          A.     Yes, but I don't see the  
19          sentence. I was listening to you.  
20          Where is it exactly? It's on the first  
21          page?  
22          Q.     Yes. Underneath --  
23          A.     Okay. Yeah.  
24          Q.     Okay. And in this sentence you  
25          are describing Lazare's use of its  
110: 1          facilities in New York as for working  
2          capital purposes?  
3          A.     Yes.

**Pg: 150 Ln: 15 - Pg: 152 Ln: 24**

**Annotation:**

150:15          Q.     So when you testified -- is it  
16          important to your testimony, Mr. Loral,  
17          that the financing took place in  
18          Belgium, that the funds were in  
19          Belgium?  
20          A.     The funding was in Belgium, yes.  
21          Q.     Is that important to your  
22          conclusion?  
23          A.     It's important --  
24          MS. GREDD: Objection to form.  
25          Q.     And if the funding took place in  
151: 1          New York, would you still be of the  
2          view that the financing took place in  
3          Belgium?  
4          MS. GREDD: Objection to form.  
5          Q.     You can answer.  
6          A.     No. Because the funding would  
7          only be a tool to finally use the  
8          credit facility of Antwerp Diamond  
9          Bank. Again, the whole KBC setup is  
10          just a tool. The activity between the

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 150 Ln: 15 - Pg: 152 Ln: 24 continued...**

**Annotation:**

151:11 client and the bank was Lazare and  
12 Antwerp Diamond Bank, credit facility  
13 and account. And KBC was just used to  
14 make the transfer instead of avoiding  
15 to make faxes and losing one value  
16 date, etcetera, etcetera.  
17 Q. And what is it that KBC was  
18 transferring, the funds, correct?  
19 A. Yes.  
20 Q. And that transfer took place in  
21 New York, correct?  
22 A. Yes. But it was immediately  
23 funded by funds of Antwerp Diamond  
24 Bank. That's why we had a pooling  
25 account to be able to do it  
152: 1 immediately.  
2 Q. And those funds in the pooling  
3 account were located in New York,  
4 correct?  
5 A. Dollars are always in the U.S.  
6 Q. Yes. So all of the money that  
7 was used to fund the loans to Lazare  
8 were situated in New York, correct?  
9 A. They belong do Antwerp Diamond  
10 Bank.  
11 Q. My answer is -- my question,  
12 rather, is all of the monies that were  
13 used to fund the loans to Lazare under  
14 the credit facility were situated in  
15 New York, correct?  
16 A. No. I don't agree with that  
17 because then you could say that  
18 everything that happens in dollar is in  
19 U.S. because it's a U.S. currency.  
20 Finally every U.S. currency is cleared  
21 through the United States but still,  
22 the bank is the Belgian bank in Belgium  
23 providing the funds and responsible for  
24 the funds.

**Pg: 157 Ln: 8 - Pg: 159 Ln: 15**

**Annotation:**

157: 8 Q. Would you turn to tab 19, which  
9 we'll mark as Plaintiff's 19?  
10 (Plaintiff's Exhibit 19, was  
11 received and marked on this date for  
12 identification.)  
13 Q. Can you identify this document

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 157 Ln: 8 - Pg: 159 Ln: 15 continued...**

**Annotation:**

157:14 or documents because it includes a  
15 number of e-mails?  
16 A. I don't remember but if I read  
17 --  
18 Q. Well, let's start with the very  
19 last page, 2336 in number. Do you see  
20 the subject line "working capital LKI  
21 April '09"?  
22 A. Yes.  
23 Q. Did ADB refer in its internal  
24 correspondence and memos to the credit  
25 facility to Lazare as a working capital  
158: 1 loan or facility?  
2 A. That I don't know.  
3 Q. And if they had done so, would  
4 your testimony remain the same, that  
5 working capital for these purposes is  
6 the same as an overdraft facility loan?  
7 A. I don't know what to tell you  
8 about this. This is an internal  
9 document. So I don't know from who to  
10 who. I don't know why they use this  
11 name. You see, the American employees  
12 were more familiar with this vocabulary  
13 than the Belgian employees. For me  
14 working capital I know plus/minus what  
15 it means but that is not a word that we  
16 used in Belgium. We used "overdraft  
17 facility". An American employee would  
18 probably use this word for the  
19 communication, we would understand what  
20 he means, but externally to the clients  
21 we used our Belgian vocabulary. So I  
22 don't want to play on words here  
23 because it's too delicate.  
24 For me "working capital" is not  
25 a word that I use normally in my  
159: 1 language to clients because that is an  
2 American word.  
3 Q. But as the term working capital  
4 is used in America, it's not the same  
5 thing as an overdraft loan. Is that  
6 correct?  
7 A. I don't know. That's why I put  
8 this point on the table. That's  
9 important. I don't want to -- to go  
10 into that because I don't control too  
11 much that vocabulary. For me the  
12 facility from Antwerp Diamond Bank were

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 157 Ln: 8 - Pg: 159 Ln: 15 continued...**

**Annotation:**

159:13 overdraft facilities with possibility  
14 to have loans on certain terms. That is  
15 what we did.

**Pg: 164 Ln: 13 - Pg: 165 Ln: 6**

**Annotation:**

164:13 Q. Turn to the next page, which is  
14 marked as Plaintiff's Exhibit 20.  
15 (Plaintiff's Exhibit 20, was  
16 received and marked on this date for  
17 identification.)  
18 Q. Here is a chance for you to show  
19 off your language skills, Mr. Loral.  
20 Do you see the paragraph that  
21 begins LKI is "een kredietnemer"?  
22 A. Yes.  
23 Q. Could you translate that  
24 sentence?  
25 A. LKI -- is enjoying a credit  
165: 1 facility from Antwerp Diamond Bank New  
2 York.  
3 Q. Is that another way of saying  
4 that LKI is a borrower of Antwerp  
5 Diamond Bank New York?  
6 A. Yes.

**Pg: 169 Ln: 19 - Pg: 170 Ln: 2**

**Annotation:**

169:19 Q. And would you turn to tab 23,  
20 please? Can you identify this document?  
21 (Plaintiff's Exhibit 23, was  
22 received and marked on this date for  
23 identification.)  
24 A. That's a credit application in  
25 the file Lazare.  
170: 1 Q. Dated August 14, 2001?  
2 A. Yes.

**Pg: 171 Ln: 1 - 13**

**Annotation:**

171: 1 Q. Directing your attention to the  
2 upper right-hand corner of the first  
3 page, do you see where it says ACCNR  
4 4345?  
5 A. Yes.  
6 Q. What does that number refer to,

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 171 Ln: 1 - 13 continued...**

**Annotation:**

171: 7 4345?  
8 A. That's normally the Lazare  
9 number, unless there is a typo. Because  
10 -- was it that number?  
11 Q. I showed you a document earlier  
12 that has the number 4334 on it.  
13 A. So this is a typo.

**Pg: 171 Ln: 14 - Pg: 175 Ln: 4**

**Annotation:**

171:14 Q. And directing your attention to  
15 two pages from the end, the page number  
16 30952, do you see the paragraph in the  
17 middle that reads "The fact that the  
18 proposed credits imply a higher credit  
19 risk as the credit facility in Antwerp  
20 is activity linked, while the credit  
21 line in New York is a working capital  
22 loan blank." Do you see that  
23 statement?  
24 A. Yes.  
25 Q. Did you prepare this document?  
172: 1 A. This document was prepared by  
2 Peter Driesen. You can see that on top  
3 left, PD, probably co-signed by me  
4 because nothing would leave, but this  
5 page that you refer to, the 52, that's  
6 prepared by Credit Department. So  
7 that's Head Office.  
8 Q. So someone in Antwerp Belgium?  
9 A. That's a credit analyst, yes.  
10 That was the discussion that we had,  
11 LKB, like I explained to you had a very  
12 defined credit facility with modalities  
13 to finance sales, shipments that were  
14 identified and so on.  
15 LKI was all flexible. It was  
16 one facility that could be drawn  
17 whenever the client wanted, as long as  
18 it was diamond business, and mixed up  
19 with other banks, but our argument --  
20 or commercial, but yes, it's a  
21 commercial company, look at the balance  
22 sheet and yeah.  
23 Q. Do you see the reference to  
24 "working capital loan"?  
25 A. Yes.  
173: 1 Q. So this is, if I understand your

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 171 Ln: 14 - Pg: 175 Ln: 4 continued...**

**Annotation:**

173: 2 testimony correctly, someone in the  
3 Antwerp Head Office of ADB describing  
4 the Lazare credit facility in New York  
5 as a working capital loan?  
6 A. Yes.  
7 Q. So does that suggest to you that  
8 the words "working capital loan" were,  
9 in fact, used by ADB to describe the  
10 credit facility?  
11 A. Some people would use that to  
12 show a difference between the facility  
13 of LKB and LKI but we didn't really use  
14 that word often. This is in this case  
15 to show -- look at the difference, we  
16 are not well collateralized, it's not  
17 well-defined and it's --  
18 Q. Well, when you first met with or  
19 spoke with Bill Moryto about the  
20 possibility that Lazare Kaplan would  
21 set up a credit facility with ADB did  
22 he tell you that Lazare was looking for  
23 a working capital line of credit?  
24 A. I suppose that word is part of  
25 the vocabulary, yes, Americans use it.  
174: 1 Q. And if you move toward the front  
2 of this e-mail three pages, to the page  
3 numbered 30949, do you see at the top  
4 paragraph toward the end the sentence  
5 that reads "LKI is requesting a working  
6 capital loan partly to finance the New  
7 York operations but also to finance the  
8 other affiliates of the LKI group."  
9 A. Yeah.  
10 Q. Now, and did Mr. Moryto explain  
11 to you what he meant by a working  
12 capital loan when he told you that  
13 Lazare Kaplan was looking to set up a  
14 working capital line of credit?  
15 A. I don't remember.  
16 Q. But you do recall that he told  
17 you that he was looking for working a  
18 capital -- you have to let me finish,  
19 sir.  
20 A. Sorry.  
21 Q. He told you that he was looking  
22 to set up a working capital line of  
23 credit for Lazare Kaplan?  
24 MS. GREDD: Objection to form.  
25 You can answer.

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 171 Ln: 14 - Pg: 175 Ln: 4 continued...**

**Annotation:**

175: 1           A.     I don't recall exactly when or  
2           what but it's -- I would not deny that  
3           he was using that terminology. I would  
4           not deny that.

**Pg: 179 Ln: 18 - Pg: 182 Ln: 4**

**Annotation:**

179:18       Q.     How did Lazare make the  
19           payments? You just testified that the  
20           payments were made bay Lazare.  
21           A.     Yes.  
22           Q.     How did they go about making the  
23           payments?  
24           A.     Well, Lazare had the credit  
25           facility in Antwerp from ADB, but have  
180: 1           the possibility to use a KBC account to  
2           operate this. So that we discussed  
3           already, KBC would be asked to transfer  
4           the money --  
5           Q.     And --  
6           A.     -- and be funded by ADB.  
7           Q.     So who asked -- who would ask,  
8           under this procedure that you're  
9           describing, who is it that would ask  
10          KBC?  
11          A.     Bill Moryto.  
12          Q.     And he would submit a form to  
13          KBC?  
14          A.     Yes.  
15          Q.     Okay.  
16          A.     Transfer.  
17          Q.     And what did KBC do in response  
18          to such a form, upon receiving that  
19          form? What was the next step?  
20          A.     The next step was to see if  
21          there was availability if the credit  
22          line was not drawn too much, compliance  
23          would probably have a look if it was an  
24          acceptable transaction, etcetera, they  
25          would do the normal, then the transfer  
181: 1          would be done.  
2          Q.     And how was the transfer -- who  
3          made the transfer? Who sent the money?  
4          A.     KBC.  
5          Q.     And then KBC then reconciled  
6          that payment with ADB?  
7          A.     Yes.  
8          Q.     Through the ADB pooling account

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 179 Ln: 18 - Pg: 182 Ln: 4 continued...**

**Annotation:**

181: 9 in New York?  
10 A. Yeah. Yes.  
11 Q. And when payments came in did  
12 the same procedure apply?  
13 A. Yes.  
14 MS. GREDD: You have to wait  
15 until he finishes the question --  
16 THE WITNESS: Sorry.  
17 MS. GREDD: -- and then answer.  
18 Q. And the payment would be  
19 deposited into KBC's bank account in  
20 New York, right?  
21 A. Yes.  
22 Q. And KBC would reconcile the  
23 activity in the Lazare account with the  
24 ADB pooling account?  
25 A. Yes.  
182: 1 Q. So the money never left New  
2 York?  
3 A. Again, there are dollars --  
4 dollars never leave New York.

**Pg: 194 Ln: 8 - 23**

**Annotation:**

194: 8 Q. When Lazare -- sorry. When  
9 Lazare submitted a payment request to  
10 KBC Bank, "Please disburse the  
11 following monies to third party", how  
12 did KBC go about determining whether  
13 Lazare had sufficient credit to allow  
14 KBC to fund that request?  
15 MS. GREDD: Objection to form.  
16 Q. You can answer.  
17 A. KBC knew because they record all  
18 what happens.  
19 Q. They had a record?  
20 A. They had a record and based on  
21 the record they knew and when there was  
22 a doubt they would contact us; can you  
23 check to make sure?

**Pg: 208 Ln: 3 - Pg: 210 Ln: 2**

**Annotation:**

208: 3 Q. Would you turn to tab 55,  
4 please?  
5 (Plaintiff's Exhibit 55, was  
6 received and marked on this date for



## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 208 Ln: 3 - Pg: 210 Ln: 2 continued...**

**Annotation:**

208: 7       identification.)  
8       Q.     Do you recognize this document,  
9       Mr. Loral?  
10      A.     Yes.  
11      Q.     What is this document?  
12      A.     It's an agreement between the  
13      client and Antwerp Diamond Bank. At the  
14      time that the client is getting an  
15      account at KBC Bank this, in fact, is  
16      important in the Service Letter  
17      Agreements between the two banks in  
18      order to operate the KBC account  
19      connected to the ADB account.  
20             In fact, it contains two parts;  
21      the client agrees that all the  
22      transactions will pass over the KBC  
23      account; and the second part is that  
24      the client agrees that there is -- that  
25      ADB and KBC can look at each other's  
209: 1      accounts. It's -- the second part is  
2      important to be able to make sure and  
3      check that the balance are same to  
4      reconciliate.  
5      Q.     Did you prepare this document?  
6      A.     Yes.  
7      Q.     Did you consult with anyone at  
8      ADB before preparing it?  
9      A.     Yes.  
10     Q.     With whom did you consult?  
11     A.     I don't remember but probably  
12     we're involved in those things, Frank  
13     Howe on our side at KBC Greg Boston,  
14     the operation of people in the banks.  
15     Q.     Did you consult with Mr. Boston  
16     at KBC before you prepared this  
17     document?  
18     A.     Yes. Yes.  
19     Q.     Did you consult with anyone else  
20     at KBC before you prepared the  
21     document?  
22     A.     On KBC side, normally Greg  
23     Boston will consult further with legal  
24     people, and on my side I would consult  
25     with legal people, I assume that also  
210: 1     our legal people were looking at this  
2     but I don't remember now.

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 211 Ln: 23 - Pg: 212 Ln: 25**

**Annotation:**

211:23 Q. Directing your attention to the  
24 first sentence, did you mean to say  
25 when you drafted this document that all  
212: 1 of Lazare's transactions under its  
2 credit facility must pass through its  
3 KBC New York account?  
4 A. Where do you see "must"?  
5 Q. "Shall be effected", did you  
6 mean by "shall be effected" "must"?  
7 A. Yes.  
8 Q. And did you, when you used the  
9 word "all", mean that without  
10 exception?  
11 A. We would prefer "without  
12 exception", unless there was a  
13 motivated request of the client.  
14 Technically, we could still work  
15 with the Belgian account, but that  
16 would again create a mismatch. So we  
17 would prefer the client did not do it  
18 but it would happen that for a  
19 reasonable reason the client would ask  
20 us and that we would allow it to do  
21 directly a transaction with Antwerp on  
22 the account of Antwerp, but then we had  
23 to immediately tell KBC because there  
24 was a mismatch between the two  
25 accounts.

**Pg: 211 Ln: 23 - Pg: 213 Ln: 8**

**Annotation:**

211:23 Q. Directing your attention to the  
24 first sentence, did you mean to say  
25 when you drafted this document that all  
212: 1 of Lazare's transactions under its  
2 credit facility must pass through its  
3 KBC New York account?  
4 A. Where do you see "must"?  
5 Q. "Shall be effected", did you  
6 mean by "shall be effected" "must"?  
7 A. Yes.  
8 Q. And did you, when you used the  
9 word "all", mean that without  
10 exception?  
11 A. We would prefer "without  
12 exception", unless there was a  
13 motivated request of the client.  
14 Technically, we could still work

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 211 Ln: 23 - Pg: 213 Ln: 8 continued...**

**Annotation:**

212:15 with the Belgian account, but that  
16 would again create a mismatch. So we  
17 would prefer the client did not do it  
18 but it would happen that for a  
19 reasonable reason the client would ask  
20 us and that we would allow it to do  
21 directly a transaction with Antwerp on  
22 the account of Antwerp, but then we had  
23 to immediately tell KBC because there  
24 was a mismatch between the two  
25 accounts.  
213: 1 Q. So was it your intention in  
2 drafting this document that the -- that  
3 Lazare's bank account at the New York  
4 branch of KBC would be the exclusive  
5 vehicle for payments and disbursements  
6 under the credit facility?  
7 A. That was the purpose. That was  
8 the purpose.

**Pg: 213 Ln: 16 - Pg: 214 Ln: 2**

**Annotation:**

213:16 Q. Did KBC consent to --  
17 A. -- to these documents?  
18 Q. -- to the arrangements described  
19 in this document?  
20 A. Yes.  
21 Q. And how did they consent?  
22 A. This document is part of the  
23 Service Letter Agreement. First we  
24 agreed between two banks how we would  
25 operate and then there was that memo  
214: 1 explaining the details, and this is  
2 part of the whole setup.

**Pg: 214 Ln: 14 - Pg: 220 Ln: 1**

**Annotation:**

214:14 Q. Would you turn now to Exhibit 57  
15 tab 57?  
16 (Plaintiff's Exhibit 57, was  
17 received and marked on this date for  
18 identification.)  
19 Q. Is this the Services Agreement  
20 that you alluded to in your earlier  
21 testimony today?  
22 A. Yes.  
23 Q. Is that your signature on the

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 214 Ln: 14 - Pg: 220 Ln: 1 continued...**

### Annotation:

214:24 second page?  
25 A. Yes.  
215: 1 Q. Along with Mr. DeBosscher's  
2 signature and Mr. Boston's signature?  
3 A. Yes.  
4 Q. And this is an agreement between  
5 the ADB and the New York branch of KBC.  
6 Is that correct?  
7 A. Yes.  
8 Q. And the agreement is dated  
9 October 15, 1999.  
10 A. Yes.  
11 Q. Do you know who wrote this  
12 document?  
13 A. I was involved in it but I don't  
14 know who -- I think it was redacted by  
15 Greg Boston and then we worked it out  
16 in different stages. I mean, that took  
17 some time. It had to be exactly right.  
18 So several people were involved in it.  
19 Q. And let's walk through the  
20 document beginning with the "whereas"  
21 clauses on the top of page 1.  
22 Do you see the first "whereas"  
23 clause that provides or reads, "ADB  
24 wishes to expand its business to the  
25 New York diamond market?"  
216: 1 A. Yes.  
2 Q. What type of business was ADB  
3 looking to expand to the New York  
4 diamond market?  
5 A. Financing of the industry.  
6 Q. Loans?  
7 A. Yes.  
8 Q. Loans? And was ADB already doing  
9 business with the New York diamond  
10 market as of the date of this  
11 agreement?  
12 A. Yes.  
13 Q. Do you recall how many different  
14 clients in the New York diamond market  
15 ADB had as of the date of this  
16 agreement?  
17 A. I would say 10, 10 maybe. Around  
18 that level.  
19 Q. Okay. And moving down to the  
20 second "whereas" clause, do you see the  
21 language the sentence that begins, "KBC  
22 agrees to provide certain operational

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 214 Ln: 14 - Pg: 220 Ln: 1 continued...**

**Annotation:**

216:23 services to ADB and to ADB's clients"?  
24 Do you see that?  
25 A. Yes.  
217: 1 Q. What were the operational  
2 services that KBC was agreeing to  
3 provide to ADB and to ADB's clients in  
4 this document?  
5 A. The one that are mentioned  
6 below.  
7 Q. In the text?  
8 A. Yes.  
9 Q. So that would include allowing  
10 diamond clients to open current  
11 accounts at the New York branch of KBC?  
12 A. Yes.  
13 Q. And effectuating local and  
14 international payments on behalf of the  
15 clients?  
16 A. Yes.  
17 Q. And providing other banking  
18 services on behalf of the clients?  
19 A. Yes.  
20 Q. Okay. What does the reference to  
21 "current accounts" mean?  
22 A. Current accounts is -- is an  
23 overdraft account facility -- operating  
24 account. I mean, I don't know what else  
25 I can say on --  
218: 1 Q. An operating account?  
2 A. Yes.  
3 Q. An operating bank account?  
4 A. Yes.  
5 Q. In whose books are diamond  
6 clients to open current accounts or  
7 operating accounts?  
8 A. In this agreement, the purpose  
9 is that it's in the KBC New York books.  
10 Q. KBC New York. Okay. And does  
11 this paragraph contemplate that KBC  
12 will effectuate local and international  
13 payments on behalf of the diamond  
14 clients?  
15 A. Yes.  
16 Q. What does "effectuate" mean, as  
17 it's used in this document, Mr. Loral,  
18 execute?  
19 A. Yes. Yes. Yes.  
20 Q. What are the other banking  
21 services that is described in this

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 214 Ln: 14 - Pg: 220 Ln: 1 continued...**

**Annotation:**

218:22 second "whereas" clause?  
23 A. I don't recall. I don't recall.  
24 But I mean, KBC is an independent bank.  
25 They could provide other service that  
219: 1 the client could use as a bank.  
2 Q. So, for example -- withdrawn.  
3 Did KBC provide other banking  
4 services to Lazare in connection with  
5 the Lazare bank account at KBC New  
6 York? Was that a full service account?  
7 A. Not full service, like payroll,  
8 KBC didn't want to do. But there were  
9 possibilities, if the client would like  
10 to have hedging products, probably KBC  
11 would have done it.  
12 I don't know if we did anything  
13 for Lazare, if KBC did anything for  
14 Lazare but the facility was there,  
15 nothing was excluded in that way.  
16 Q. And moving to the next "whereas"  
17 clause that begins "In agreement with  
18 the diamond clients," do you see that?  
19 A. Yes.  
20 Q. What is the agreement with the  
21 diamond clients that's referred to  
22 here?  
23 A. I should read again that one --  
24 Q. Exhibit 55.  
25 A. Yes. Yes. That must refer to  
220: 1 these documents.

**Pg: 222 Ln: 11 - Pg: 224 Ln: 18**

**Annotation:**

222:11 Q. Now, this -- this "whereas"  
12 clause goes on to provide that, "KBC  
13 agrees to communicate all payments  
14 effectuated by the diamond clients to  
15 ADB via SWIFT communications."  
16 The -- would a payment by  
17 Lazare to a third party in connection  
18 with the purchase or financing of  
19 diamonds be a payment effectuated by a  
20 diamond client within the meaning of  
21 this paragraph?  
22 A. That's a long sentence. Could  
23 you --  
24 Q. I'll break it down for you.  
25 Which party, which bank is

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 222 Ln: 11 - Pg: 224 Ln: 18 continued...**

**Annotation:**

223: 1 effectuating the payments by the  
2 diamond clients, looking at this  
3 "whereas" clause?  
4 A. I'm reading the clause again.  
5 (Whereupon, the Deponent reviews  
6 the document.)  
7 A. So your question was if KBC is  
8 effectuating a transaction, a payment  
9 from Lazare to a third party, if this  
10 clause -- yes, indeed, yeah.  
11 Q. So when the -- when the  
12 "whereas" clause provides that KBC  
13 agrees to communicate all payments  
14 effectuated, it means in its reference  
15 to payments effectuated, payments that  
16 it effectuates for the diamond clients  
17 of ADB?  
18 A. Via the account of KBC.  
19 Q. Yes. Okay. And the last sentence  
20 of this "whereas" clause, "On the basis  
21 of those messages ADB will make  
22 internal entries to adjust the  
23 customer's credit position."  
24 Do the words "the customer's  
25 credit position" mean to the balance of  
224: 1 the outstanding loans under a credit  
2 facility such as the one Lazare had?  
3 A. Yes.  
4 Q. And continuing down to the last  
5 "whereas" clause that reads, "ADB  
6 agrees to open a pooling account with  
7 KBC to fund the payments effectuated by  
8 KBC on behalf of the diamond clients,"  
9 are we talking here about a pooling  
10 account at the New York branch of KBC?  
11 A. I think that account was  
12 maintained in New York, yes.  
13 Q. So the payments effectuated or  
14 executed by KBC on behalf of the  
15 diamond clients of ADB, were reconciled  
16 with the pooling account set up by ADB,  
17 pursuant to this agreement?  
18 A. Yes.

**Pg: 232 Ln: 15 - 23**

**Annotation:**

232:15 Q. So going back to the agreement  
16 below the words "It is agreed as

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 232 Ln: 15 - 23 continued...**

**Annotation:**

232:17 follows" on the first page, number one,  
18 do you see the sentence that begins  
19 "KBC will accept all payment orders  
20 from the diamond clients either locally  
21 in New York or internationally," do you  
22 see that sentence?  
23 A. Yes.

**Pg: 233 Ln: 5 - Pg: 242 Ln: 14**

**Annotation:**

233: 5 Q. Would you look at Exhibit 61,  
6 tab 61?  
7 A. Would you mind, the last page?  
8 Q. First page? That's it.  
9 A. Yes.  
10 Q. Is that a form of payment order  
11 from a diamond client to KBC?  
12 A. It looks like. I don't recall  
13 this document, but when I read it, I  
14 see.  
15 Q. Okay. So going back to paragraph  
16 1, the diamond client in this case  
17 Lazare submits a payment order to KBC.  
18 Can you walk us through the procedure  
19 that's described in this Service  
20 Agreement in regard to effectuating  
21 that payment order?  
22 A. KBC will receive this document.  
23 Q. From a customer like Lazare  
24 Kaplan?  
25 A. They would verify the  
234: 1 signatures, etcetera. Meanwhile, KBC  
2 has to be informed about the level of  
3 facility and indepthness of the clients  
4 with Antwerp Diamond Bank so that we  
5 know that they can do the transaction  
6 because we know --  
7 Q. So stop there for a quick.  
8 You're going too quickly now.  
9 Are you saying that when KBC  
10 receives the payment order from a  
11 customer like Lazare in the form that  
12 you just identified, it verifies with  
13 ADB that there is sufficient credit  
14 under the line of credit, the credit  
15 facility to support the payment that's  
16 requested?  
17 A. Yes. And they do it from time to



## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 233 Ln: 5 - Pg: 242 Ln: 14 continued...**

**Annotation:**

234:18 time because KBC keeps records of all  
19 the transactions. So once they know the  
20 position from that day on they will do  
21 pluses and minuses but they keep track  
22 in the system of the position of  
23 Antwerp Diamond Bank. Once in a while  
24 we reconcile to make sure that it is  
25 still the same position.

235: 1 Q. Is that what's meant by the next  
2 sentence "KBC will keep records of the  
3 movements on the diamond clients  
4 account, etcetera?"  
5 A. Yes.  
6 Q. So KBC is playing a  
7 recordkeeping or administrative  
8 function with respect to the borrowing  
9 that Lazare is making under the credit  
10 facility. Is that correct?  
11 A. Of Antwerp Diamond Bank, yes.  
12 Q. And when KBC receives a payment  
13 request, Mr. Loral, does it verify that  
14 it's a -- that it's proper and  
15 appropriate to make a payment to the  
16 designated recipient? In other words,  
17 does it perform an anti-money  
18 laundering function of some kind?  
19 A. Yes. Automatically that's KBC's  
20 duty and they have the department  
21 involved and they will also verify that  
22 it's a diamond transaction. That's  
23 something that we requested because we  
24 want to avoid the client would misuse  
25 the funds for something else.

236: 1 Q. And moving down to the next  
2 bullet point, you see the reference to  
3 the chief representative of ADB in New  
4 York?  
5 A. Yes.  
6 Q. Okay. Who is that or who was  
7 that?  
8 A. Peter Driesen. That's -- yes.  
9 Yes. Yes.  
10 Q. So in a situation in which the  
11 requested payment exceeds the available  
12 credit under the line of credit KBC  
13 doesn't process the payment but rather  
14 notifies Mr. Driesen and the Visa  
15 department of ADB?  
16 A. Yes.

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 233 Ln: 5 - Pg: 242 Ln: 14 continued...**

### Annotation:

236:17 Q. And it says the next sentence,  
18 "The latter takes the necessary steps  
19 to get the payment approved by the  
20 appropriate people within ADB." Who  
21 are the appropriate people within ADB?  
22 A. Credit Committee.  
23 Q. Credit Committee. Okay. And then  
24 KBC and the chief representative are  
25 notified of the bank's decision. Is  
237: 1 that the procedure here?  
2 A. Yes.  
3 Q. Okay. And assuming the decision  
4 is favorable or there is sufficient  
5 credit, is it correct on your reading  
6 of this agreement that KBC debits the  
7 diamond client's account, in this case  
8 that would be the Lazare account at the  
9 New York branch of KBC?  
10 A. Yes.  
11 Q. And carries out the payment  
12 instruction?  
13 A. Yes.  
14 Q. And carries out the payment  
15 instruction by wire transferring the  
16 monies requested -- the monies funding  
17 the loan requested by the customer?  
18 A. It's a long one. Sorry.  
19 Q. How does it carry out the  
20 payment instructions?  
21 A. Well, like you said, the payment  
22 instruction will be effectuated  
23 resulting in a debit on the account at  
24 KBC, and that debit will be funded by  
25 the pooling account.  
238: 1 Q. So KBC provides the money to  
2 effectuate the wire transfer the  
3 payment that's requested?  
4 A. Yes.  
5 Q. And it then reconciles that  
6 payment with ADB's pooling account?  
7 A. Yes.  
8 Q. Dropping down to the next bullet  
9 point that references the MT 900 form,  
10 do you see the sentence, "KBC also adds  
11 information about the beneficiary of  
12 the payment?"  
13 A. Yes.  
14 Q. Where does KBC get that  
15 information from?

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 233 Ln: 5 - Pg: 242 Ln: 14 continued...**

**Annotation:**

238:16 A. From the payment order.  
17 Q. Is this the anti-money  
18 laundering function you described  
19 earlier?  
20 A. No.  
21 Q. Why is KBC adding information  
22 about the beneficiary of the payment in  
23 its message to ADB?  
24 A. Because ADB wants to know -- ADB  
25 is financing, ADB wants to follow what  
239: 1 happens with the financing facility and  
2 the credit.  
3 Q. So it gets that information from  
4 KBC?  
5 A. Yes.  
6 Q. And KBC, in turn, gets it from  
7 the customer?  
8 A. Yes.  
9 Q. And then the last bullet point,  
10 "ADB receives this report and debits  
11 the diamond customer's account in its  
12 books against the pooling account."  
13 That is the New York pooling account?  
14 A. Yes.  
15 Q. And moving to paragraph 2, do  
16 you see the sentence that reads, "KBC  
17 will accept and registrate all in  
18 coming funds via the customary  
19 channels, etcetera, in favor of the  
20 diamond clients." Do you see that  
21 sentence?  
22 A. Yes.  
23 Q. Is this sentence referring to or  
24 does it include deposits made by  
25 customers of Lazare Kaplan into the  
240: 1 Lazare bank account at KBC New York?  
2 A. Yes.  
3 Q. So the sales proceeds of  
4 diamonds sold by Lazare would be an  
5 example of incoming funds that are  
6 deposited into Lazare's bank account at  
7 KBC New York. Is that correct?  
8 A. Yes. That's correct.  
9 Q. What does "registrate" mean, by  
10 the way, as it's used in this document?  
11 A. Book, make a booking.  
12 Q. Make a booking?  
13 A. Yes. Make an entry. I think you  
14 use the word "entry".

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 233 Ln: 5 - Pg: 242 Ln: 14 continued...**

**Annotation:**

240:15 Q. And again, turning to the bullet  
16 point in paragraph 2, KBC credits the  
17 customer's account in its books, so  
18 that would be the bank account, the  
19 customer's bank account at the New York  
20 branch of KBC?  
21 A. Yes.  
22 Q. That would be the Lazare bank  
23 account in our case?  
24 A. Yes.  
25 Q. And then KBC sends a message to  
241: 1 ADB, giving ADB information about the  
2 transaction?  
3 A. Yes.  
4 Q. Okay. And you see the next  
5 sentence that reads, "KBC also adds  
6 information about the ordering customer  
7 of the payment." What information is  
8 referred to in that sentence?  
9 A. That's a counterparty, the  
10 customer of Lazare, which made the  
11 payment and the information is the name  
12 of the ordering company.  
13 Q. And does KBC, again, have an  
14 anti-money laundering function in  
15 obtaining that information?  
16 A. Yes. To check everything by  
17 compliance.  
18 Q. And does KBC share the  
19 information it obtains about the  
20 ordering customer with ADB under this  
21 paragraph?  
22 A. Well, it's the information in  
23 the SWIFT message. So we have the  
24 information, we received the  
25 information, yes.  
242: 1 Q. So ADB's information about the  
2 payee and the payor in transactions, in  
3 Lazare transactions, comes from KBC.  
4 Is that correct?  
5 A. Yes.  
6 Q. So -- and in the last sentence  
7 where it says, "ADB receives this  
8 report and credits the diamond client's  
9 account in its books against the KBC  
10 pooling account," does that mean ADB is  
11 making a book entry to reflect the  
12 transaction?  
13 A. Well, yes, we adjust the balance

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 233 Ln: 5 - Pg: 242 Ln: 14 continued...**

**Annotation:**

242:14 of the client in our books.

**Pg: 248 Ln: 5 - Pg: 249 Ln: 2**

**Annotation:**

248: 5 Q. And dropping down to the second  
6 paragraph in paragraph 3, do you see  
7 the reference to "KBC New York granting  
8 ADB an overnight placement on money  
9 market rates?"

10 A. Yes.

11 Q. Can you explain that sentence?

12 A. Due to the time difference it  
13 could happen that when ADB was already  
14 closed and KBC was still operating that  
15 they would pool more than there was in  
16 the pooling account. So Antwerp Diamond  
17 Bank had the credit facility with KBC  
18 Bank. So the pooling account of  
19 Antwerp Diamond Bank could go negative  
20 and that would be the price we pay for  
21 it. KBC would fund, grant us a credit  
22 line on that pooling account.

23 Q. When you say that Antwerp  
24 Diamond Bank had a credit facility with  
25 KBC, do you mean the New York branch of

249: 1 KBC?

2 A. Yes.

**Pg: 250 Ln: 8 - 18**

**Annotation:**

250: 8 Q. Did ADB pay tax to the U.S.  
9 Government on interest or fees that it  
10 earned on the loans to Lazare Kaplan?

11 A. Could you please repeat it?

12 Q. Did ADB pay interest to the U.S.  
13 Government on -- I'm sorry -- pay tax  
14 to the U.S. Government on interest or  
15 fees that it received from Lazare in  
16 connection with the loans under the  
17 credit facility?

18 A. Yes.

**Pg: 252 Ln: 23 - Pg: 253 Ln: 2**

**Annotation:**

252:23 Q. And did ADB take the position  
24 with the U.S. Government that the loan

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

---

**Pg: 252 Ln: 23 - Pg: 253 Ln: 2 continued...**

**Annotation:**

252:25 activities in New York were effectively  
253: 1 connected to New York?  
2 A. Yes.

**Pg: 259 Ln: 2 - 7**

**Annotation:**

259: 2 Q. So would you turn back one tab  
3 in your binder, your exhibit binder,  
4 Mr. Loral, to Exhibit 56, which is the  
5 letter that you wrote to Greg Boston on  
6 or about September 4, 2000 that we  
7 talked about earlier this morning.

**Pg: 260 Ln: 8 - Pg: 261 Ln: 2**

**Annotation:**

260: 8 Q. Was it your intention in  
9 preparing Plaintiff's Exhibit 55 that  
10 it would comply with the procedures set  
11 forth in this letter that you wrote to  
12 Mr. Boston?  
13 A. Yes.  
14 Q. Why did you send this letter to  
15 Mr. Boston? What was the purpose of the  
16 letter?  
17 A. To make sure that we don't make  
18 any mistake in the way we work.  
19 Finally, Greg Boston represents another  
20 bank, we are not colleagues, I mean  
21 directly in the same bank, so we want  
22 the team to agree with exactly and that  
23 way we didn't forget anything.  
24 It was the first time that we  
25 would practically operate, as it's  
261: 1 mentioned here, the first time that the  
2 client would use the system.

**Pg: 291 Ln: 23 - Pg: 292 Ln: 16**

**Annotation:**

291:23 Q. When Lazare received a payment  
24 of diamond sales proceeds into the KBC  
25 New York account, did those funds ever  
292: 1 move outside of New York?  
2 A. Yes. Those funds would be  
3 transferred via the pooling account on  
4 Lazare's account in Belgium and he  
5 would see that on his statement because

## TextMap Annotation Digest Report

**Case Name:** Plaintiff Lazare Kaplan International Inc.'s Revised Deposition Designations for Philippe Loral  
9/28/2015

**Transcript:** [9/28/2015] Loral, Philippe

**Issue Filter:** Revised Deposition Designations

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**Pg: 291 Ln: 23 - Pg: 292 Ln: 16 continued...**

**Annotation:**

292: 6 his balance would become less high, as  
7 a big balance.  
8 Q. You are referring to the entry  
9 or notation in the statement. I'm  
10 talking about the dollars.  
11 A. The amounts are transferred on  
12 the account against an account of the  
13 bank, and but dollars are held in the  
14 United States as for the whole world.  
15 That's why also the United States can  
16 see everything that happens in dollars.

**Pg: 294 Ln: 3 - Pg: 295 Ln: 20**

**Annotation:**

294: 3 Did you, yourself, clearly  
4 explain to Mr. Moryto that Lazare would  
5 have to open a bank account in Belgium  
6 to obtain a line of credit? Do you  
7 recall a conversation?  
8 A. No. I don't recall exact -- any  
9 conversation of 15 years ago. I'm  
10 sorry. I cannot recall such a  
11 conversation.  
12 Q. Do you recall any writing in  
13 which Mr. Moryto was advised that  
14 Lazare would need to open a bank  
15 account in Belgium in order to obtain a  
16 line of credit or a credit facility?  
17 A. No. No. Honestly, I don't recall  
18 ever having done that to any client  
19 because it was going without saying  
20 that you cannot have a credit facility  
21 without having an account.  
22 Q. Did Mr. Moryto ever say anything  
23 to you that would indicate to you that  
24 he understood that Lazare would need to  
25 have a bank account in Belgium?  
295: 1 A. No. I don't remember anything  
2 like that.  
3 Q. And did you find Mr. Moryto to  
4 be an honest person in your dealings  
5 with him?  
6 A. Yes.  
7 Q. Do you believe him to be a  
8 person of the highest integrity?  
9 A. When?  
10 Q. During the relevant period of  
11 time.

## TextMap Annotation Digest Report

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**Pg: 294 Ln: 3 - Pg: 295 Ln: 20 continued...**

**Annotation:**

295:12 A. Yes. Yes. Until when is the  
13 relevant period?  
14 Q. 10 years, 2000 to 2010.  
15 A. Well, in my opinion as long as I  
16 was working with him, yes.  
17 Q. Did you ever tell Mr. Moryto  
18 that ADB could meet Lazare's banking  
19 needs in New York?  
20 A. In certain words, yes.

**Pg: 296 Ln: 17 - Pg: 297 Ln: 8**

**Annotation:**

296:17 Q. Did you tell Mr. Moryto in  
18 December of 2000 that KBC New York  
19 could open a bank account for Lazare?  
20 A. I don't remember that I told him  
21 that and certainly not at that date,  
22 but that was probably the purpose of  
23 the whole setup. That's what we  
24 discussed.  
25 Q. Do you remember whether anyone  
297: 1 at ADB discussed with Mr. Moryto the  
2 possibility of Lazare opening a bank  
3 account at the New York branch of KBC?  
4 A. No. I don't remember the  
5 conversations like -- I can only see  
6 now factually what happens, so I can  
7 assume that we have been discussing  
8 about it.

**Pg: 297 Ln: 9 - 21**

**Annotation:**

297: 9 Q. Was the New York office of ADB a  
10 startup operation in December of 2000?  
11 A. Sorry?  
12 Q. Was it a new office for ADB?  
13 A. In New York?  
14 Q. Yes, in New York.  
15 A. Yes. The rep office was new. We  
16 got the license from the authorities  
17 end of '99 and so, beginning of 2000 we  
18 just opened the office, we rented a  
19 place, I think Peter Driesen was there,  
20 he got the license to live in New York.  
21 Yeah, we were quite new.